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MARCH 25, 2023 BY RONNIE

CMHC’s 2023 Report, And Housing Options Depleting Over Demographic Shifts

The Canada Mortgage and Housing Corporation (CMHC) released their annual report in January, and the results aren’t all that surprising.

HIGHLIGHTS

Growth in demand outpaced strong growth in supply, pushing the vacancy rate for purpose-built rental apartments down from 3.1% to 1.9%. This was the vacancy rate’s lowest level since 2001. Rent growth, for its part, reached a new high.

Rental demand surged across the country. This was a ***reflection of higher net migration***

> ***and the return of students to on-campus learning***. Another factor was higher mortgage rates, which drove up already-elevated costs of homeownership.
> Despite higher overall supply, the ***share of rental units that are affordable for the lowest-income renters is, in most markets, in the low single digits or too low to report. This is especially true in Ontario and British Columbia (B.C.).***
> New data: Average rent growth for 2-bedroom units that turned over to a new tenant was well above average rent growth for units without turnover (18.2% vs. 2.8%). This increased affordability challenges

The report was critiqued by RBC a few days ago, and CTV News.

The CMHC report quite openly states that higher immigration rates — which are only expected to climb — are contributing greatly to the increase in pricing, and the decline in availability.

Page 20 had an interesting statistic from Victoria, BC: "As an example, a turnover 2-bedroom apartment was rented at a 33% higher rent, on average, than an occupied unit in the same building". Given B.C.'s strict rent control laws, the only way to get a significant increase was for existing tenants to leave.

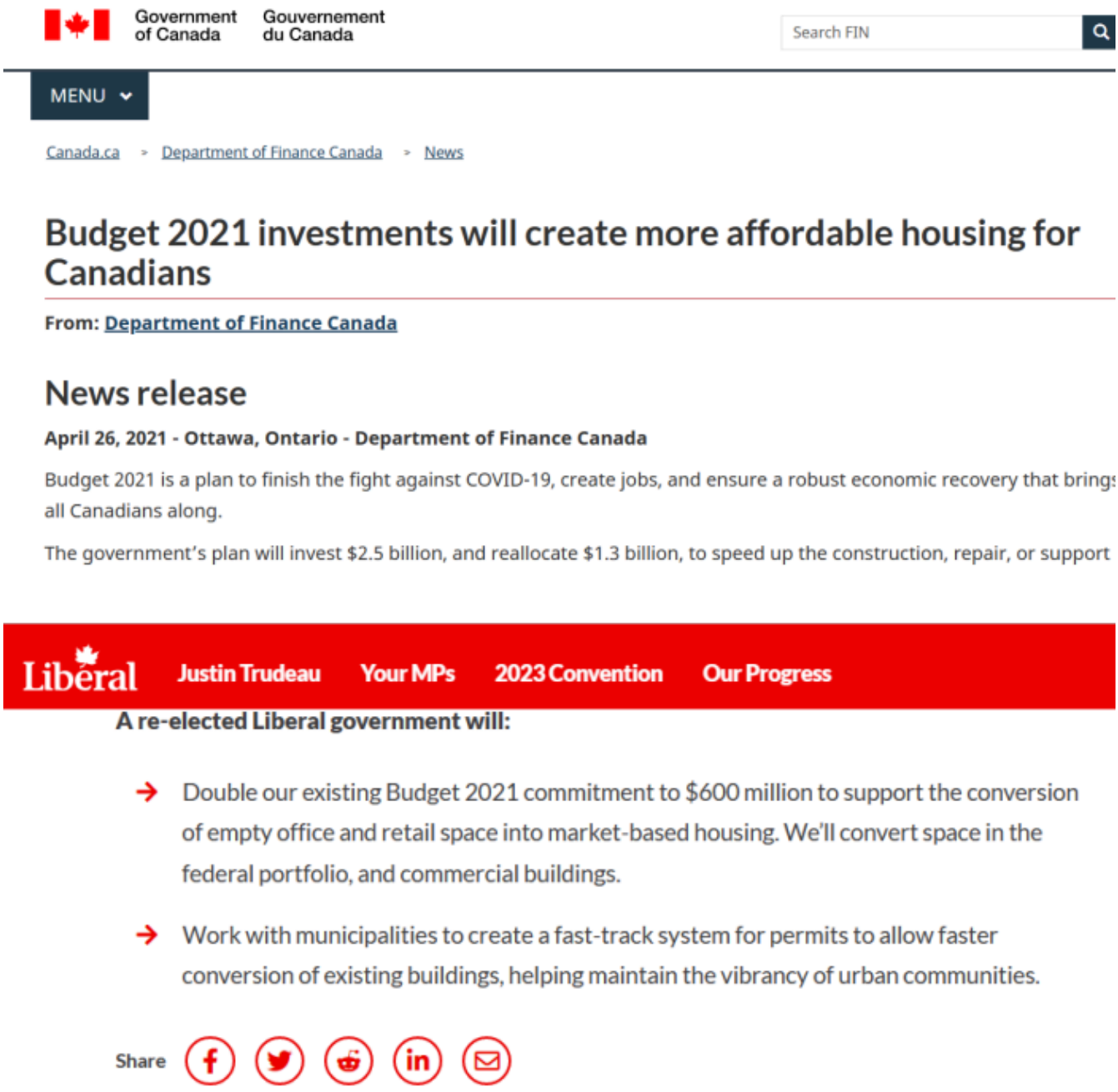
Page 36 addressed low income renters in the Calgary area. Less than 5% of the rental housing in the area would be considered affordable for people making less than $36,000 per year. These would be limited primarily to bachelors and 1 bedroom apartments.

Regina wasn't much — if any — better than Calgary in terms of affordability. It's estimated (page 46), that less than 8% of housing would be available to households making under $32,000 annually. That was quite the surprise, as Saskatchewan is commonly thought to have a lower cost of living.

Winnipeg attributed a fair portion of its drop in vacancies to the return of in-person schooling, a sentiment that is echoed elsewhere.

The CMHC report covers data on many major and medium sized cities in Canada. Though the numbers differ, the patterns are the same: rapidly increasing population is driving up prices, and reducing options for people looking to rent or own.

The report also talked about the high levels of office vacancies over the last few years, as more businesses were pushed to go remote, or semi-remote. And that has had an interesting effect.



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Budget 2021 investments will create more affordable housing for Canadians

From: Department of Finance Canada

News release

April 26, 2021 - Ottawa, Ontario - Department of Finance Canada

Budget 2021 is a plan to finish the fight against COVID-19, create jobs, and ensure a robust economic recovery that brings all Canadians along.

The government's plan will invest $2.5 billion, and reallocate $1.3 billion, to speed up the construction, repair, or support

Liberal Justin Trudeau Your MPs 2023 Convention Our Progress

A re-elected Liberal government will:

- Double our existing Budget 2021 commitment to $600 million to support the conversion of empty office and retail space into market-based housing. We'll convert space in the federal portfolio, and commercial buildings.
- Work with municipalities to create a fast-track system for permits to allow faster conversion of existing buildings, helping maintain the vibrancy of urban communities.

Share

During the last election campaign, the Liberal Party included a promise to accelerate efforts to convert office and retail space into housing. This had been going on for a while. The CBC has also promoted this concept recently.

A cynic may wonder if the various shut downs starting in 2020 were designed — at least in part — to "free up" commercial property that could then be converted into residential.

Another possibility is that this might make the "15 minute cities" more of a reality. If residential and commercial areas became blended, there'd be less need to leave.

An alternative way to slow down a housing shortage would be to restrict the number of people coming in. But that doesn't seem to be in the cards. This is despite even StatsCan admitting that over 1 million people came to Canada in 2022. The official numbers rarely reflect all the categories.

The result of all this is a population boom where more housing would be necessary in order to function. Problem. Reaction. Solution.

Of course, more undeveloped land will need to be converted as well. But the environmental activists are usually silent about this.

(1) https://www.cmhc-schl.gc.ca/-/media/sites/cmhc/professional/housing-markets-data-and-research/market-reports/rental-market-report/rental-market-report-2022-en.ashx
(2) https://www.ctvnews.ca/business/canada-needs-300-000-new-rental-units-to-avoid-gap-quadrupling-by-2026-report-1.6324052
(3) https://thoughtleadership.rbc.com/proof-point-shortfall-in-canadian-rental-housing-could-quadruple-by-2026/
(4) https://liberal.ca/our-platform/convert-empty-office-space-into-housing/
(5) https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-investments-will-create-more-affordable-housing-for-canadians.html
(6) https://www.cbc.ca/news/business/empty-offices-housing-1.6736171
(7) https://www150.statcan.gc.ca/n1/daily-quotidien/230322/dq230322f-eng.htm

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